

**VIRGINIA MILITARY INSTITUTE  
LEXINGTON, VIRGINIA**

**INTERCOLLEGIATE ATHLETIC PROGRAMS  
FOR THE YEAR ENDED  
JUNE 30, 1999**

***AUDITOR OF  
PUBLIC  
ACCOUNTS***



***COMMONWEALTH OF VIRGINIA***

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# Commonwealth of Virginia

Auditor of Public Accounts

P.O. Box 1295

Richmond, Virginia 23218

Walter J. Kucharski, Auditor

June 2, 2000

The Honorable James S. Gilmore, III  
Governor of Virginia

The Honorable Vincent F. Callahan, Jr.  
Chairman, Joint Legislative Audit and Review Commission

Major General Josiah Bunting, III  
Superintendent, Virginia Military Institute

## INDEPENDENT AUDITOR'S REPORT ON APPLICATION OF AGREED-UPON PROCEDURES

We have audited the financial statements of **Virginia Military Institute** as of and for the year ended June 30, 1999, and have issued our unqualified report thereon dated June 2, 2000. At the request of the Superintendent of the Institute, we have performed certain agreed-upon procedures to the Institute's Intercollegiate Athletic Programs for the fiscal year ended June 30, 1999, discussed below, solely to assist the Institute in complying with National Collegiate Athletic Association (NCAA) Bylaw 6.2.3.1. This review to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accounts. The sufficiency of the procedures is solely the responsibility of the Institute. Consequently, we make no representation regarding sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

### **Schedule of Revenues and Expenditures of Intercollegiate Athletic Programs - Agreed-Upon Substantive Procedures**

- a. We obtained the Schedule of Revenues and Expenditures of Intercollegiate Athletic Programs (Schedule) for the year ended June 30, 1999, as prepared by the Institute and shown in this report. We recalculated the addition of the amounts on the Schedule, traced the amounts on the Schedule to management's worksheets and agreed the amounts on management's worksheets to the Intercollegiate Athletics Department's accounts in the accounting records. We noted no differences between the amounts in the Athletics Department's accounts in the accounting records and the amounts on the worksheets. We discussed the nature of worksheet adjustments with management and are satisfied that the adjustments are appropriate.

- b. We applied certain analytical review techniques to the balances reported on the Schedule in order to determine the reasonableness of amounts reported therein. These techniques included trend analyses and other tests using operating data and reviews of actual amounts expended in comparison to budgeted amounts.
- c. We vouched each individual contribution received directly by the Institute for its Intercollegiate Athletic Programs that constituted more than ten percent of the contributions so received. Except for contributions received from affiliated foundations described in Note 2, we noted no individual contribution, which constituted more than ten percent of total contributions received for intercollegiate athletics.

Because the above procedures "a" through "c" do not constitute an audit made in accordance with generally accepted auditing standards, we do not express an opinion on any of the accounts or items referred to above. In connection with the procedures referred to above, no matters came to our attention that caused us to believe that the specified accounts or items should be adjusted. Had we performed additional procedures or had we made an audit of any financial statements of the intercollegiate athletics department of the Institute in accordance with generally accepted auditing standards, matters might have come to our attention that would have been reported to the Superintendent of the Institute. This report relates only to the accounts and items specified above and does not extend to the financial statements of the Institute or its intercollegiate athletics department taken as a whole.

#### **Internal Control Related to Intercollegiate Athletic Programs - Agreed-Upon Procedures**

The management of Virginia Military Institute is responsible for establishing and maintaining internal control for its Intercollegiate Athletic Programs. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls. The objectives of internal control are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any internal control, errors or irregularities may occur and not be detected. Also, projection of any evaluation of the internal control to future periods is subject to the risk that procedures may become inadequate because of changes in conditions, or that the degree of compliance with the procedures may deteriorate. Our procedures and findings are as follows:

- d. We reviewed an organization chart provided by the Intercollegiate Athletic Department and discussed it with appropriate personnel. We reviewed documentation of accounting systems and operating procedures. We also made certain inquiries of management regarding control consciousness, the use of internal audit in the department, competence of personnel and protection of records and equipment.

- e. We reviewed the internal control over cash receipts and disbursements, including payroll, for the Intercollegiate Athletic Programs. We reviewed the relationship of the internal control over Intercollegiate Athletic Programs to internal control reviewed in connection with the audit of the Institute's financial statements. Our review also included those controls unique to Intercollegiate Athletics, which have not been reviewed in connection with the audit of the financial statements.
- f. We reviewed the Institute's procedures for monitoring affiliated organizations activities and concluded that those procedures were adequate.

Agreed-upon procedures "d" through "f" applied to certain aspects of the Institute's internal control were more limited than would be necessary to express an opinion on internal control of Virginia Military Institute in effect for the year ended June 30, 1999, taken as a whole. Because our review and evaluation was limited to applying those agreed-upon procedures, we do not express such an opinion. In connection with applying procedures "d" through "f" above, we noted no material weaknesses relating to internal control over the Intercollegiate Athletic Program activities administered by the Institute.

This report is intended solely for the information and use of the Institute and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

AUDITOR OF PUBLIC ACCOUNTS

JEG:whb  
whb:44

## **SCHEDULE**

VIRGINIA MILITARY INSTITUTE  
SCHEDULE OF REVENUES AND EXPENDITURES OF INTERCOLLEGIATE ATHLETIC PROGRAMS  
For the Year Ended June 30, 1999

	Football	Basketball	Other Sports	Nonprogram Specific	Total
Operating revenues:					
Ticket sales	\$ 156,780	\$ 46,574	\$ -	\$ -	\$ 203,354
Guarantees	15,050	61,521	-	15,370	91,941
Student activity fees	-	-	-	1,388,040	1,388,040
Concessions	-	-	-	112,100	112,100
Program sales	13,456	-	-	42,557	56,013
Gifts: (Note 2)					
Unrestricted	1,278	4,600	33,950	1,012,282	1,052,110
Restricted	69	20,116	148,426	1,549,659	1,718,270
Endowment fund transfers in (Note2)	-	-	-	706,797	706,797
Bowl/conference proceeds	-	-	-	27,153	27,153
License fees	-	-	-	14,779	14,779
Other	706	90	-	1,545	2,341
Total operating revenues	187,339	132,901	182,376	4,870,282	5,372,898
Operating expenditures:					
Coaches' salaries and other salaries	835,561	314,967	473,798	567,762	2,192,088
Supplies	8,797	2,116	18,502	19,009	48,424
Equipment purchases	57,726	10,007	65,423	63,684	196,840
Travel:					
Team	62,927	54,284	63,806	7,653	188,670
Recruiting	22,545	8,544	24,760	97	55,946
Other	14,322	7,111	68,145	39,516	129,094
Postal service	848	679	459	7,204	9,190
Publicity	-	-	-	9,246	9,246
Programs	2,154	1,533	3,378	19,443	26,508
Telephone	30,574	4,439	4,345	11,125	50,483
Medical services	228	-	-	9,868	10,096
Building maintenance	36,549	5,690	32,132	94,715	169,086
Films	-	-	-	6,303	6,303
Scholarships	-	-	-	1,365,211	1,365,211
Officials	21,406	24,520	9,903	-	55,829
Guarantees	32,000	9,850	350	2,000	44,200
Insurance	-	-	-	30,867	30,867
Allocated administrative costs (Note 3)	-	-	-	296,957	296,957
Miscellaneous	23,544	53,313	46,628	89,498	212,983
Total operating expenditures	1,149,181	497,053	811,629	2,640,158	5,098,021
Net increase (decrease) for the year	\$ (961,842)	\$ (364,152)	\$ (629,253)	\$2,230,124	\$ 274,877

The accompanying Notes to the Schedule of Revenues and Expenditures of Intercollegiate Athletic Programs are an integral part of this schedule.

VIRGINIA MILITARY INSTITUTE  
NOTES TO THE SCHEDULE OF REVENUES AND EXPENDITURES OF  
INTERCOLLEGIATE ATHLETIC PROGRAMS

AS OF JUNE 30, 1999

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Revenues and Expenditures of Intercollegiate Athletic Programs (Schedule) has been prepared on the accrual basis of accounting. The purpose of the Schedule is to present a summary of current funds revenues and expenditures of the intercollegiate athletic programs of the Institute for the year ended June 30, 1999. The Schedule includes a selected portion of the Institute, it is not intended to and does not present either the financial position, changes in fund balances, or current funds revenues and other additions, expenditures, transfers and other deductions for the year then ended. Revenues and expenditures are directly identifiable with each category presented and are reported accordingly. Revenues and expenditures not directly identifiable to a specific sport are reported under the category "Non-program Specific."

NOTE 2 - AFFILIATED ORGANIZATIONS

The Virginia Military Institute Keydet Club was established in 1948 for the purpose of raising contributions for scholarships to be awarded to athletes of the Institute. The Club gave the Institute \$1,347,860 in restricted gifts for intercollegiate athletic programs during the year ended June 30, 1999.

The Virginia Military Institute Development Board (Board) was established in 1978 by the Virginia Military Institute Alumni Association to implement a comprehensive development program and to coordinate the Institute's various fund-raising activities. The Board provides support to the Institute from cash donations and income from its endowment. On July 1, 1999, the Board entered into a funding agreement with the VMI Foundation, Inc., the VMI Keydet Club, Inc., and the Institute applicable for the four fiscal years beginning July 1, 1998. This agreement calls for the Board to provide funding in excess of that, which would be generated by adherence to its existing endowment spending policies. In connection therewith, the Board agreed to provide an average of at least \$1,000,000 per year from its unrestricted endowment to be used exclusively by the Institute's athletic program; the Institute may determine the actual amount it receives from the Board each year based on the needs of its athletic program. However, in no event shall the total payments from the Board during the four years be less than \$4,000,000 plus the payment of certain existing debt service obligations of the Board on behalf of the Institute. For the year ended June 30, 1999, the Institute received \$1,000,000 from the Board's unrestricted endowment, which is shown on the Schedule as Unrestricted Gifts. The intercollegiate athletic program also received \$706,797 from other Institute endowment funds.

NOTE 3 - ADMINISTRATIVE COST RECOVERIES

The Institute recovers from each auxiliary enterprise an amount to reimburse for the cost of institutional support and the operation and maintenance of plant. For the year ended June 30, 1999, the Institute recovered \$111,582 of institutional support costs and \$185,375 of operation and maintenance of plant costs. These costs are charged to a non-program specific category and are not allocated among the different athletic programs.



VIRGINIA MILITARY INSTITUTE  
Lexington, Virginia

BOARD OF VISITORS

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Anne C. Woodfin

ADMINISTRATIVE OFFICERS

Major General Josiah Bunting, III, Superintendent

Donald T. White, Athletic Director